

ENFORCEMENT INFORMATION FOR November 16, 2010

Information concerning the civil penalties process is discussed in OFAC regulations governing the various sanctions programs and in 31 CFR part 501. On November 9, 2009, OFAC published as Appendix A to part 501 new Economic Sanctions Enforcement Guidelines. Although these new guidelines replace earlier enforcement guidelines published by OFAC, for certain matters that were in process at the time the new guidelines were published, the prior guidelines (which can be found at 68 *Fed. Reg.* 4422 and 71 *Fed. Reg.* 1971) are still applicable. Please see OFAC's Revised Interim Policy regarding use of the prior guidelines. The Revised Interim Policy, along with the new guidelines and copies of recent final Penalty Notices, can be found on OFAC's website at <http://www.treas.gov/offices/enforcement/ofac/civpen>.

ENTITY – 31 CFR 501.805(d)(1)(i)

Pinnacle Aircraft Parts, Inc. Settles Reporting, Procedures and Penalties Regulations

Allegations: Pinnacle Aircraft Parts, Inc. (“Pinnacle”), Miami, FL, a U.S. corporation, has paid \$225,000 to settle allegations of a violation of OFAC's Reporting, Procedures and Penalties Regulations, 31 C.F.R. part 501 (the “RPPR”), occurring in November 2007. OFAC alleged that Pinnacle failed to provide documents responsive to an administrative subpoena issued by OFAC as part of its investigation of Pinnacle's February 2004 sale and delivery of a jet engine, with a value in excess of \$1 million. The engine appears to have been destined for Iran.

OFAC sent Pinnacle an administrative subpoena pursuant to section 501.602 of the RPPR. The administrative subpoena directed Pinnacle to provide a detailed written report regarding the jet engine transaction and “copies of all transactional documents such as invoices, shipping documents, airway bills, correspondence, and all other documents pertaining to the payment or transportation of this shipment.” In its November 9, 2007, response to the administrative subpoena, Pinnacle, through its outside counsel, submitted more than 260 pages of responsive documents but failed to submit a copy of a post-sale e-mail – which Pinnacle had provided to its counsel – indicating that the aircraft engine was likely destined for Iran (“the e-mail”), as well as other responsive documents concerning the terms of sale.

This matter was not voluntarily self-disclosed to OFAC. OFAC determined that the failure to produce the responsive documents, including the e-mail referencing Iran, constituted an egregious case, resulting in a base penalty amount of \$250,000. The settlement amount reflects OFAC's consideration of the following General Factors: The e-mail and other documentation was clearly responsive to the subpoena; Pinnacle was aware of, and knowingly withheld, the e-mail at the time it responded to the subpoena; the e-mail concerned the sale of an aircraft engine valued at over \$1 million and impeded OFAC's investigation into the apparent delivery of that engine to Iran; Pinnacle has no prior OFAC enforcement history; Pinnacle apparently relied in good faith on the advice of legal counsel in determining not to produce the e-mail and other documents in response to the subpoena; and Pinnacle agreed to settle this matter. Although Pinnacle relied on the advice of counsel in determining not to produce the e-mail and other documents, Pinnacle is the party legally responsible for compliance with OFAC's subpoena and the actions of its counsel (in this case, the determination that clearly responsive documents need not be produced to OFAC) are attributable to Pinnacle for purposes of calculating a base penalty and settlement amount.

For more information regarding OFAC regulations, please go to:

<http://www.treas.gov/offices/enforcement/ofac/legal/>.